

The Joy of Conflict - in Family Business

Succession planning is a challenge in any business, and especially when the successors are in the same family as the current owners. Media attention tends to focus on the difficulties experienced by family businesses in making the transition to the second and third generations.

One statistic is that only 30% of family businesses make a successful transition to the second generation. To me, it's great that 30% of family businesses successfully manage the transition.

What are the factors that distinguish the businesses that make a successful transition to the next generation of ownership and those that do not? In my experience a *large component of successful transition is the management of conflict.*

Conflict is normal. Successful management of conflict creates an opportunity for growth or change. Successful management of conflict improves relationships. Consider as well the cost of avoiding conflict, the build up of resentment and discontent.

Part of what makes family businesses successful is the energy and built-in passion for the business. That same passion can become a barrier when the generations are working side by side.

Let's take the example of a business operated by a 50- something owner and founder.

The owner is making the management decisions alone as he has always done. The owner's 20-something daughter is working in the business in a junior role. The owner's first choice for succession of the business is to have it taken over by his daughter. He would like his daughter to show more initiative in her work and has told her this.

The daughter is thinking about the idea of operating the business some day but is not sure if that is what she really wants to do. She thinks her father treats her like she is a kid and just seems to expect her to do what he says. Her feeling is that she is not getting work experience which allows her to develop her management skills or even to decide if or in what role she might be involved long term in the business. She plans to quit soon if things don't change with her father.

Path 1: Now let's imagine that the situation continues for a couple of years in which father and daughter talk occasionally about how they work together. She tells him that he treats her like a kid and that she does not like this. He disagrees that he does this. He tells her that she should show more initiative. She tells him she is doing her best to go along with his decisions.

The signs are not good for this business to make a successful transition from father to daughter. The daughter may not even be working in the

family business a couple of years later. The situation is even more challenging if the mother, other siblings or family members are recruited by the father and daughter to take sides.

"If you don't like something, change it; if you can't change it, change the way you think about it." Mary Engelbreit

Path 2: Let's imagine a different direction for this father and daughter. They realize that they are at an impasse and they choose not to stay there. With the assistance of an experienced mediator, they discuss and decide how they will work together. They develop a plan for building the skills of the daughter and helping her decide her role in the business. If and when the daughter decides to stay in the business, they move on to develop a transition plan for her, over a period of years, to become gradually more involved in the business role she has chosen and possibly also for the father to be less involved. Other family members are informed and invited to be involved in the planning discussions during family meetings.

Path 2 moves this business in a direction much more likely to make a successful transition to the next generation. While this example seems easy to analyze from a distance, recognizing what is happening is much more difficult for families who are living this experience day-to-day.

What can a family business do to increase the likelihood of success when planning the transition of the business to the next generation?

- 1. Separate business from family.** Limiting the business discussions to the workplace helps to avoid bringing home the work tensions or making family occasions into business meetings.
- 2. Separate owners from managers.** In a small company the lines can be blurred

(The Joy of Conflict... cont'd next page)

You Can Mediate

Learning how to mediate is an asset whether you are exploring a career option related to mediation services or whether you are developing skills for your current job. In addition to positions specifically for mediators, job roles such as human resources, management, and customer service all benefit from the application of mediation skills.

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(The Joy of Conflict..... cont'd)

because there may be overlap between the people doing the day- to- day work, the managers and the owners. As the business grows and evolves the shareholders may be a different group than the managers of the business. A shareholders' agreement may be a vehicle for the family to deal with critical questions about how to treat family members fairly, even if not equally. Whether or not they are involved directly in the company's operations, a shareholders' agreement is important to address the concerns of shareholders.

- 3. Hold regular family meetings.** Invite the participants to suggest agenda items. Keep notes of the meeting, especially what was decided and what was set over for discussion in future meetings. On occasion, the assistance of financial advisers, accountants or other experts may be effective. Consider inviting a professional facilitator to get the first few meetings started smoothly or when the topics are likely to cause tension.
- 4. Listen** – As a family member, whether active in the business or not, it is critical to maintain healthy, open communication. Don't assume you know what others are thinking.
- 5. Recognize when it is time to get the help of a professional mediator.** Knowing when you need a hand is a good thing. In my experience, business families can benefit greatly from the help of an impartial and experienced professional to develop a succession plan that will keep the business and the family thriving.

Announcement - Time for a Change

Thank you to all our readers and clients for your support and feedback over the years.

This is the 34th issue since Common Ground started publication in May, 1999.

Many people now prefer to receive electronic newsletters. Some of you have told us that you prefer to receive the paper version of Common Ground.

We will continue mail service (at no charge for addresses in Canada) ONLY to those who let us know that they still wish to receive Common Ground by mail. **If you do not reply we will no longer send Common Ground to you.**

FAXBACK - Please print in block letters

Please send me Common Ground – (no charge for mailing address in Canada)

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My phone number (in case this fax is not clear) _____

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Munn-thly Memo will return in the next issue of Common Ground

Mark Your Calendar Upcoming Training Events Presented by Kathryn Munn

Fundamentals of Mediation

Intensive 40 hour program

May 11, 12, 13, 25, 26, 2009

9:00 AM to 5:30 PM each day

Course location: London, Ontario

This course is approved by the
ADR Institute of Ontario.

Registration form available at
www.munnrcs.com

Please call 519-660-1242

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Advanced 21 hour program

For graduates of Fundamentals of Mediation
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June 22, 23, 24, 2009

9:00 AM to 5:00 PM each day

Course location: London, Ontario

Registration form available at
www.munnrcs.com

Please call 519-660-1242

(toll-free 1-888-216-3202) or email

kmunn@munnrcs.com for more information.

I am pleased to fill requests for presentations about mediation and negotiation at meetings of professional and business groups. Call or email to make the arrangements.

Electronic Common Ground

If you prefer to be on our e-mailing list please send us an email.

Kathryn Munn, LL.B., Cert.ConRes., C. Med., is a mediator, arbitrator, facilitator and lawyer. Through her firm Munn Conflict Resolution Services she works exclusively in alternate dispute resolution from a base in London, Ontario. She is a Roster Mediator, Ontario Mandatory Mediation Program - Toronto / Ottawa / Windsor, a mediator under contract to the Farm Debt Mediation Service of Canada, insurance industry ombudservices and for Canadian government departments.

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